

ISSN 2337-9766



9 772337 976624

PROCEEDING

SOUTHEAST - ASIA PSYCHOLOGY INTERNATIONAL CONFERENCE

Spirituality, Wellbeing and Social Harmony
24 - 26 August 2013



UNIVERSITAS AHMAD DAHLAN
PERGURUAN TINGGI MUHAMMADIYAH

COMMITMENT TO ORGANIZATION IN VIEW OF EMPLOYEES' PAY SATISFACTION

Fatwa Tentama
Faculty of Psychology
Ahmad Dahlan University Yogyakarta
fatwa_ten10@yahoo.com

ABSTRACT

The study aims to test empirically the extent to which employee satisfaction with pay has an effect on their commitment to organization. We hypothesize that a positive relationship exists between employee satisfaction with pay and commitment to organization in a batik company.

The subjects comprised 40 employees of Batik Nyonya Indo Company in Bantul. The data was obtained using the scale of satisfaction with pay and scale of commitment to organization among the employees. Data analysis was conducted using product-moment correlation coefficient.

The results indicate that a significantly positive correlation exists between satisfaction with pay and commitment to organization among employees, as indicated by $r = 0,312$ ($p < 0,05$). The effect of satisfaction with pay on commitment to organization among employee is 8, 736 %.

Satisfaction with pay is a factor that affects the commitment to organization among employees. The higher the satisfaction with pay, the stronger is the commitment to organization among the employees, and vice versa.

Keywords: Satisfaction with pay, commitment to organization

INTRODUCTION

Human resource is the most valuable and vital asset to any company and, thus, the utilization and maintenance of which is the key to successful effort to achieve company objectives. Companies find that the existence of commitment to organization among their employees, or human resources, is crucial. Employees with strong commitment to organization will lead companies to a favorable condition, because the former will accomplish their tasks effectively and support their companies in times of hardship. Commitment to organization represents the potential energy reserves for organizations when a crisis that requires employees' attendance took place (Milner, 1993). Furthermore, employees will help companies to maintain quality and productivity, because they committed to doing their best for their companies (Dessler, 1993).

Steers and Porter (1990) maintain that employees with lower level of commitment will hinder the achievement of organizational goals because they tend to

be oriented more to their interests than to those of their organization. Mathieu and Zajac (1990) add that strong commitment on the part of employees will have positive impacts on companies: increasing productivity, work quality, job satisfaction, reducing absenteeism and turnover. This is so because employees with strong commitment will act in accordance with the values and norms prevailing in their companies.

In fact, in the company where the study was conducted, indications of lower level commitment among the employees were found, such as the following: (1) in 2008, the turnover numbers 7 and in 2009 the number increased to 9; (2) employee absenteeism in 2009 was considerably high and truanting is a common phenomenon, especially in night shift; (3) tardiness, go to work only to fill the attendance form, and gave only a perfunctory performance; (4) disappointment and dissatisfaction with the company encourage the employee to leave their employer. Such a low level of employee commitment will hinder the achievement of corporate goals. This could be due to various factors, among which is the welfare of the employees or their satisfaction with their pay.

Interviews with permanent employees in the company indicate that they complained about low wage and not worth working, thereby incite them to hold strike for better wage and to cause damage to their company's facilities in their protest. The employees put the blame on the management for the low wage policy since the current management could care less about the employees' need and demand and incapable of treating them properly, thereby eroding their commitment.

According to Rachmawati (2007), wage is the most important reason why people work, in addition to other reasons such as personal development and self actualization. At least 90% of employee-employer disputes are due to wage issues, not others. Suwanto (2003) adds that the wage is one of the most sensitive aspects in industrial and labor relations. About 70 to 80% of cases occurring in the industrial and labor relations include wage issues and various related aspects, such as benefits, wage increases, wage structure and pay scales.

To achieve their objectives, companies are required to offer appropriate rewards (wages) that ultimately would have possible impact on employees' commitment. This would, therefore, encourage employees to work in a higher degree of effort for the interest of their company. If the employees could achieve maximum satisfaction with their pay, their employer will be in a favorable condition due to the full support or participation of the employees.

Every employee has different pay satisfaction; those who are satisfied will give a positive response while those who are not satisfied will show a negative response. Employees who are satisfied will tend to show good performance, no strike, lower turnover, lower absenteeism and increased employee job satisfaction. In contrast, employees who are not satisfied will show lower work performance, possible strike, more demands, high turnover and decreased job satisfaction (Lawler, 1971).

Saksono (1998) suggested that wages may play a role in increasing the productivity of the company, compensating the disadvantages and strengthening commitment that characterize the contemporary workforce. Pay satisfaction of employees is a major motivator for them to work. Companies will gain commitment from their employees if the former understand the needs of the latter by offering

them reasonable salary. When employees felt that they have received desired salary, they would feel satisfied and give the best for the company. The company will also have positive impacts from fair and competitive wages offered to employees, such as easier to recruit and maintain potential workers.

Commitment to organization is defined as state in which an employee sided with his or her organization and its goals, and intended to maintain his or her membership in that organization (Blau and Boal, 1987). Yuwono (2005) explained that commitment to organization is an individual interest in an organization's goals, values and targets.

Allen and Meyer (1990) argued also that commitment can be divided into three: affective commitment, the employee's emotional attachment of with his or her company and his or her engagement within an organization; continuous commitment, to continue to work because of the feeling of losing or that much is at stake if he or she leave the company; and normative commitment, a feeling of obligation to remain or stay in the company.

Pay satisfaction itself is defined as conformity between individual perception of wage actually received and of wage ideally received. If the individual find that his or her perception of wage conforms is in conformity with the actual wage received, he or she would be satisfied with it (Shapiro and Wahba, 1978). On the contrary, dissatisfaction occurs when the wage actually received by an individual is perceived as lower than is should be (Lawler, in Weiner, 1980).

As for the aspects of pay satisfaction, according to Heneman and Schwab (1985), they consist of are pay level, pay administration/structure, pay benefit, and pay rise.

Saksono (1998) suggested that wages may play a role in increasing the productivity of the company, compensating for the disadvantages and strengthening commitment that characterize the contemporary workforce. The employees' pay satisfaction is a major motivator for them to work. Companies will gain commitment from their employees if the former understand the needs of the latter by offering them reasonable salary. When the company has the capacity to meet the needs of employees, the latter would feel satisfied and give the best for the company.

Mathieu and Zajac (1990) noted that among the consequences of lower level of employees' commitment a lack of commitment is the high turnover, whereas the study conducted by Wiilliam, et al (2006) demonstrated negative relationship existed between the level of pay satisfaction and turnover intention. The study conducted by Andini (2006) showed a negative effect of pay satisfaction on employee turnover, which indicates employees' satisfaction with their pay results in lower employees' turnover intention. The description represents the idea that the relationship between pay satisfaction and employees' commitment to organization is predictable. This means that pay satisfaction may affects the employees' commitment to organization.

RESEARCH METHOD

The subjects are 40 employees of Nyonya Indo Batik Company. Subjects are considered eligible if they meet the following criteria: (1) male or female, (2) registered as permanent employee, and 3) have at least one year of working experience.

Data was collected by scales: pay satisfaction and commitment to organization scales.

Pay satisfaction was measured using a pay satisfaction scale, which is a scale devised by the author that refers to the aspects of pay satisfaction according to Heneman and Schwab (1985) based on four aspects: pay level, pay raise, pay benefit, and pay administration/structure.

Commitment was measured by commitment scale, which is a scale devised by the author, that refers to Allen and Meyer's (1990) aspects of commitment: affective, continuance, and normative commitments.

Tryout conducted at the Nyonya Indo Batik Company. The number of subjects that are tested as many as 45 subjects. Scale distributed as much as 45 scale and are eligible to be analyzed by 44 scales, while the one scale disqualified because the subject did not complete the answer statement. Aitem-aitem who are selected at each scale that was used in the research.

Results of tests on 40 aitem pay satisfaction scale were analyzed for validity and reliability. Validity coefficient moves from 0.356 to 0.713 and the reliability coefficient (α) of 0.902, while the results of tests on 36 aitem commitment scale validity coefficient moves from 0.253 to 0.627 and the reliability coefficient (α) of 0.842.

Data processing was performed using *Statistical Product and Service Solution* (SPSS) 17.0 for windows using correlation statistical technique of Pearson's *product moment*.

RESULTS AND DISCUSSION

The hypothesis stating that a positive relationship exists between pay satisfaction and commitment to organization among employees of Batik Nyonya Indo Company, as shown by correlation coefficient of 0.312. This indicates that a positive relationship existed between pay satisfaction and commitment to organization. Probability of error at $p = 0.025$ ($p < 0.05$) means that the correlation between pay satisfaction and commitment to organization is significant. To put it another way, significant positive correlation exists between pay satisfaction and commitment to organization among the employees of Batik Nyonya Indo Company. The higher the employees' satisfaction, the higher is pay satisfaction among them, and vice versa. Therefore, it can be concluded that the hypothesis proposed in this study was supported.

The findings in the above study supports previous expert opinion, that wages may play a role in increasing the productivity of the company, compensating the disadvantages and strengthening commitment that characterize the contemporary workforce (Saksono, 1998). Employee commitment will be obtained by the company, if the company is able to understand the needs of employees at work realized with adequate wages. The company is able to meet the demand for wage employees will make the employees feel satisfied so as to provide the best for the company.

Mathieu and Zajac (1990) noted that among the consequences of lower level of employees' commitment a lack of commitment is the high turnover, whereas the study conducted by Wiilliam, et al (2006) demonstrated negative relationship existed between the level of pay satisfaction and turnover intention. The study conducted by

Andini (2006) showed a negative effect of pay satisfaction on employee turnover, which indicates employees' satisfaction with their pay results in lower employees' turnover intention. Results of interviews with one of the permanent employees of the company further strengthens the results of this study which says that he and another employee complained that wages were few and not in accordance with the work done and make himself often strike work, coming just after it left his job Presence. The employees put the blame on the management for the low wage policy since the current management could care less about the employees' need and demand and incapable of treating them properly, thereby eroding their commitment. This means that pay satisfaction affects the employees' commitment to organization.

The author also conducted an analysis to determine the effective contribution of the variable of pay satisfaction in influencing the commitment to organization among the employees at $SE = 8.736$, which means that the effective contribution to or the magnitude of the influence of pay satisfaction on commitment to organization among employees is 8.736%. The variable, however, indicates that the issue of pay satisfaction is an important factor to consider since it has a positive and significant correlation with commitment to organization in an effort to deal with the organizational problems, especially those concerning the employees' commitment to organization.

This shows that pay satisfaction is not the sole variable that affects the commitment to organization among employees in that other influencing variables are numerous. Therefore, other factors with potential impact on commitment to organization among employees need also to be considered, such as personal (age, sex, education, and capacity), job, organization and working experience (Mathieu & Zajac, 1990), as well as personal (expectation of success, need for job, psychological contract), organizational and non-organizational factors (Northcraft & Neale, 1990).

CONCLUSION

Based on the data analysis and discussion in this study, we draw the conclusion that significant positive correlation exists between pay satisfaction and commitment to organization among employees of Batik Nyonya Indo Company. Effective contribution or the magnitude of impact of pay satisfaction on the commitment to organization among the employees is 8.736%.

REFERENCES

- Allen, N.J. & Meyer, J.P. 1990. The measurement and antecedent of affective, continuence and normative comitment to the organozational. *Journal Occupational Psychology*. Vol. 63, 1-18.
- Andini R.. 2006. Analisis pengaruh kepuasan gaji, kepuasan kerja, komitmen organisasional terhadap turnover intention. Semarang: Universitas Diponegoro.
- Blau, G. J. Boal K.R. 1987. Conceptualizing how job invovement and organizational commitment affect turnover and abstenteeism. *Academy of Management Review*.

- Dessler, G. 1993. *Winning commitment: how to build and keep a competitive workforce*. Singapore: Mc. Graw-Hall Inc.
- Haneman, H.G., & Schwab, D.P. 1985. Pay satisfaction: its multi-dimensional nature and measurement. *Internasional Journal of Psychology*. 20: 129-141.
- Lawler, E. E. 1971. *Pay and organizational effectiveness : A Psychological View*. New York: McGraw-Hill.Inc.
- Mathieu, J.E. & Zajac, D.M. 1990. A review and meta analysis of the antecedents, correlates and consequences of organizational commitment. *Psychology Bulletin*, 10, 171-173.
- Milner, J.B. 1993. *Industri-organizational psychology*. Singapore: Mc Graw Hill Book Co.
- Northcraft, G. B . & Naele, M. A. 1990. *Organizational behaviour*. Florida: The Dryden Press.
- Rachmawati, I. K. 2007, *Manajemen sumberdaya manusia*. Yogyakarta, Andi Offset.
- Saksono, S. 1998. *Administrasi kepegawaian*. Yogyakarta: Kanisius.
- Suwarto, 2003, *Hubungan industrial dalam praktik*. Jakarta. Asosiasi Hubungan Industrial Indonesia.
- Shapiro, H.J & Wahba, M.A. 1978. Pay satisfaction: an empirical test of a discrepancy model. *Management Science*. 24 (6): 612-622.
- Steers, R.M. & Porter, L.W. 1990. *Motivational and work behavior*: New York: McGraw-Hill.
- Weiner, N. 1980. Determinants and behavioral consequences of pay satisfaction: a comparison of two models. *Personnel Psychology*. 33: 741-757.
- William, McDaniel, & Ford. 2006. *Understanding multiple dimensions of compensation satisfaction*. [Http://www.pople.vcu.edu/~mamcdani/Publication/William, %20McDaniel%20&%20Ford%20\(2007\).pdf](http://www.pople.vcu.edu/~mamcdani/Publication/William,%20McDaniel%20&%20Ford%20(2007).pdf). 30 Desember 2010.
- Yuwono. 2005. *Psikologi industri dan organisasi*. Fakultas Psikologi. Surabaya: Universitas Airlangga.